

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Alcona County		County Alcona
Audit Date December 31, 2004	Opinion Date April 14, 2005		Date Accountant Report Submitted to State: August 31, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

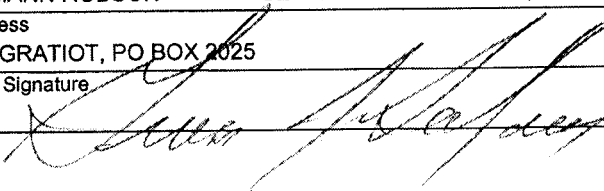
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | |
|---|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	

Alcona County
Harrisville, Michigan

Financial Statements

For the Year December 31, 2004

ALCONA COUNTY, MICHIGAN

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ALCONA COUNTY, MICHIGAN

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

April 14, 2005

Board of Commissioners
Alcona County, Michigan
Harrisville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Alcona County, Michigan**, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Alcona County, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alcona County Road Commission, which represents the discretely presented component unit, and is therefore a separate opinion unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Road Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **County of Alcona, Michigan**, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Ambulance Service, Housing Commission Administration and Revenue Sharing Reserve funds, for the year then ended in conformity with accounting principles general accepted in the United States of America.

As described in note IV.F., the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government's*, as amended and interpreted, as of December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2005, on our consideration of **Alcona County, Michigan's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-7, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Alcona County, Michigan's** basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



Management's Discussion and Analysis

As management of *Alcona County, Michigan*, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$10,263,178 (net assets). Of this amount \$4,911,246 (unrestricted net assets) may be used to meet the governments ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$850,013 from the previous year.
- As of the close of the current fiscal year, the County's governmental funds (this includes the general, special revenue, and capital projects funds) reported combined ending fund balances of \$2,52,961. Of that amount, approximately 99 percent of this total amount or \$2,047,138, is available for spending at the government's discretion (unreserved fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety (including the jail), health and welfare, public works, and parks and recreation. The business-type activities of the County include the delinquent tax collections and property foreclosures.

The government-wide financial statements include not only Alcona County itself (known as the primary government), but also a legally separate Road Commission. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The County maintains 34 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Ambulance Service, Housing Commission Administration and Revenue Sharing Reserve funds. Data from the other 30 governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-25 of this report.

Proprietary funds. The County maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax collections and property foreclosures. The County has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Delinquent Tax Revolving Fund and Delinquent Tax Property Sales Fund.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 26-50 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules.

Combining and individual fund statements and schedules can be found on pages 51-74 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Alcona County, assets exceeded liabilities by \$10,263,178 at the close of the most recent fiscal year.

This being the first year for Alcona County to implement Governmental Accounting Standards Board Statement No. 34, a comparative analysis from year 2003 has not been presented. In future years, when this information is available, a comparative analysis of government-wide information will be presented.

Alcona County's Net Assets

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>	Total <u>2004</u>
Assets			
Current and other assets	\$ 6,722,780	\$ 3,918,677	\$ 10,641,457
Capital assets, net:			
Assets not being depr.	193,500	-	193,500
Assets being depr.	<u>3,197,957</u>	<u>-</u>	<u>3,197,957</u>
Total assets	<u>10,114,237</u>	<u>3,918,677</u>	<u>14,032,914</u>
Liabilities			
Other liabilities	2,983,493	2,724	2,986,217
Noncurrent liabilities			
Due within one year	214,217	-	214,217
Due in more than one year	<u>569,302</u>	<u>-</u>	<u>569,302</u>
Total liabilities	<u>3,767,012</u>	<u>2,724</u>	<u>3,769,736</u>
Net assets			
Invested in capital assets, Net	3,303,267	-	3,303,267
Restricted for:			
Capital projects	832	-	832
Other purposes	2,047,833	-	2,047,833
Unrestricted	<u>995,293</u>	<u>3,915,953</u>	<u>4,911,246</u>
Total net assets	<u>\$ 6,347,225</u>	<u>\$ 3,915,953</u>	<u>\$ 10,263,178</u>

One of the largest portions of the County's net assets, \$3,303,267 (32 percent) reflects its investments in capital assets (e.g., land, buildings, vehicles and equipment), less any related debt used to acquire those assets to provide services to citizens: consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Alcona County's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 1,566,708	\$ 770,597	\$ 2,337,305
Operating grants and contributions	1,112,800	-	1,112,800
Capital grants and contributions	108,952	-	108,952
General revenue:			
Property taxes	4,260,463	-	4,260,463
Grants and contributions not restricted to specific programs	86,523	-	86,523
Unrestricted investment earnings	86,429	61,917	148,346
Miscellaneous general revenues	63,465	2,155	65,620
Total revenues	7,285,340	834,669	8,120,009
Expenses:			
Legislative	120,708	-	120,708
Judicial	1,071,632	-	1,071,632
General government	1,131,625	-	1,131,625
Public safety	2,756,701	-	2,756,701
Public works	3,585	-	3,585
Health and welfare	1,544,003	-	1,544,003
Culture and recreation	560,921	-	560,921
Delinquent tax revolving	-	6,504	6,504
Delinquent tax property sales	-	74,317	74,317
Total expense	7,189,175	80,821	7,269,996
Increase in net assets before transfers	96,165	753,848	850,013
Transfers	206,206	(206,206)	-
Change in net assets	302,371	547,642	850,013
Net assets, beginning of year, as restated	6,044,854	3,368,311	9,413,165
Net assets, end of year	\$ 6,347,225	\$ 3,915,953	\$ 10,263,178

An additional portion of the County's net assets, \$2,048,665 (20 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* of \$4,911,246 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$2,052,961. Of this total amount \$2,047,138 constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,296. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 0.1 percent of total general fund expenditures and transfers out.

The fund balance of the County's general fund decreased in the current year by \$277,472. This decrease is a result of the declining state revenue sharing.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

General Fund Budgetary Highlights

The differences between the original and final amended budgets for expenditures resulted in an increase of \$770, whereas the differences between the original budget and final amended budget for revenues resulted in a decrease of \$770.

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2004, amounted to \$3,391,457 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, vehicles and equipment. The total increase in the County's investment in capital assets for the current fiscal year was 1.2%.

County of Alcona's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	
	2004	
Land	\$	175,500
Work in progress		18,000
Buildings and improvements		2,007,464
Land improvements		112,377
Equipment		287,781
Fixtures and furniture		26,253
Vehicles		764,082
Total	\$	<u>3,391,457</u>

Additional information on the County's capital assets can be found in Note III C on pages 38-39 of this report

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$1,214,801. Of this amount, 100 percent comprises debt backed by full faith and credit of the government.

Additional information on the County's long-term debt can be found in note III E on pages 42-44 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2005 fiscal year:

- The average unemployment rate for the County of Alcona as of December 31, 2004 was 13.2%. The County's average unemployment rate is always amount the highest rates in the state and always is higher than the Federal rate.

Labor contracts are with 4 separate bargaining units of which each has a different pay rate increase ranging from 2-5%.

Request for information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Alcona County Treasurer, PO Box 158, Harrisville, MI 48740.

ALCONA COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	ROAD COMMISSION
<u>ASSETS</u>				
Cash and cash equivalents	\$ 323,141	\$ 95,966	\$ 419,107	\$ 976,387
Investments	1,939,839	2,344,244	4,284,083	-
Accounts receivable	5,628,600	309,667	5,938,267	621,980
Inventory	-	-	-	249,640
Internal balances	(1,168,800)	1,168,800	-	-
Capital assets, net:				
Assets not being depreciated	193,500	-	193,500	709,545
Assets being depreciated	3,197,957	-	3,197,957	2,230,130
<u>TOTAL ASSETS</u>	<u>10,114,237</u>	<u>3,918,677</u>	<u>14,032,914</u>	<u>4,787,682</u>
<u>LIABILITIES</u>				
Accounts payable	179,662	2,724	182,386	52,481
Accrued liabilities	33,471	-	33,471	21,802
Advance from state	-	-	-	260,978
Unearned revenue	2,770,360	-	2,770,360	201,782
Interest payable	-	-	-	5,200
Noncurrent liabilities:				
Due within one year	214,217	-	214,217	236,734
Due in more than one year	569,302	-	569,302	916,764
<u>TOTAL LIABILITIES</u>	<u>3,767,012</u>	<u>2,724</u>	<u>3,769,736</u>	<u>1,695,741</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	3,303,267	-	3,303,267	2,020,864
Restricted for:				
Capital projects	832	-	832	-
Other purposes	2,047,833	-	2,047,833	-
Unrestricted	995,293	3,915,953	4,911,246	1,071,077
<u>TOTAL NET ASSETS</u>	<u>\$ 6,347,225</u>	<u>\$ 3,915,953</u>	<u>\$ 10,263,178</u>	<u>\$ 3,091,941</u>

The accompanying notes are an integral part of these financial statements.

**ALCONA COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 120,708	\$ -	\$ -	\$ -	\$ (120,708)
Judicial	1,071,632	298,456	284,816	-	(488,360)
General government	1,131,625	257,434	211,596	108,952	(553,643)
Public safety	2,756,701	777,636	126,512	-	(1,852,553)
Public works	3,585	-	-	-	(3,585)
Health and welfare	1,544,003	119,754	456,806	-	(967,443)
Culture and recreation	560,921	113,428	33,070	-	(414,423)
Total governmental activities	<u>7,189,175</u>	<u>1,566,708</u>	<u>1,112,800</u>	<u>108,952</u>	<u>(4,400,715)</u>
Business-type activities:					
Delinquent tax revolving	6,504	154,090	-	-	147,586
Delinquent tax property sales	<u>74,317</u>	<u>616,507</u>	<u>-</u>	<u>-</u>	<u>542,190</u>
Total business-type activities	<u>80,821</u>	<u>770,597</u>	<u>-</u>	<u>-</u>	<u>689,776</u>
Total primary government	<u>\$ 7,269,996</u>	<u>\$ 2,337,305</u>	<u>\$ 1,112,800</u>	<u>\$ 108,952</u>	<u>\$ (3,710,939)</u>
Component unit					
Road Commission	<u>\$ 2,902,599</u>	<u>\$ 670,626</u>	<u>\$ 3,432,795</u>	<u>\$ -</u>	<u>\$ 1,200,822</u>

continued...

**ALCONA COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2004**

Functions/Programs	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Road Commission
Changes in net assets				
Net (expense) revenue	\$ (4,400,715)	\$ 689,776	\$ (3,710,939)	\$ 1,200,822
General revenues:				
Property taxes	4,260,463	-	4,260,463	-
Grants and contributions not restricted to specific programs	86,523	-	86,523	-
Unrestricted investment earnings	86,429	61,917	148,346	18,962
Miscellaneous general revenues	63,465	2,155	65,620	-
Transfers - internal activities	206,206	(206,206)	-	-
Total general revenues and transfers	4,703,086	(142,134)	4,560,952	18,962
Change in net assets	302,371	547,642	850,013	1,219,784
Net assets, beginning of year, as restated	6,044,854	3,368,311	9,413,165	1,872,157
Net assets, end of year	\$ 6,347,225	\$ 3,915,953	\$ 10,263,178	\$ 3,091,941

**ALCONA COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	GENERAL	AMBULANCE SERVICE FUND	HOUSING COMMISSION ADMINISTRATION
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,252	\$ -	\$ -
Investments	1,175,462	261,691	-
Taxes receivable	2,631,425	583,267	-
Accounts receivable	4,976	209,926	-
Interest receivable	8,053	-	-
Loans receivable	-	-	1,263,400
Due from other funds	176,955	-	190,763
Due from state	69,824	-	-
Due from federal	-	-	-
	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 4,068,947</u>	<u>\$ 1,054,884</u>	<u>\$ 1,454,163</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	82,686	9,915	1,365
Accrued liabilities	19,619	9,721	-
Deposits payable	-	-	-
Due to other funds	2,208,063	224,112	40,000
Due to state	-	-	-
Deferred revenue	1,754,283	793,193	1,263,400
Advances from other funds	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	4,064,651	1,036,941	1,304,765
 FUND EQUITY			
Fund balances:			
Reserved for:			
Capital projects	-	-	-
Restricted contributions	-	-	-
Unreserved - undesignated, reported in:			
General fund	4,296	-	-
Special revenue funds	-	17,943	149,398
	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	4,296	17,943	149,398
	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 4,068,947</u>	<u>\$ 1,054,884</u>	<u>\$ 1,454,163</u>

The accompanying notes are an integral part of these financial statements

REVENUE SHARING RESERVE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 320,889	\$ 323,141
-	502,686	1,939,839
-	385,320	3,600,012
-	41,363	256,265
-	243	8,296
-	-	1,263,400
877,142	542,762	1,787,622
-	117,669	187,493
-	100,134	100,134

\$ 877,142	\$ 2,011,066	\$ 9,466,202
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-	50,563	144,529
-	4,131	33,471
-	3,133	3,133
118,617	296,187	2,886,979
-	32,000	32,000
-	432,810	4,243,686
-	69,443	69,443

118,617	888,267	7,413,241
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-	832	832
-	4,991	4,991
-	-	4,296
758,525	1,116,976	2,042,842

758,525	1,122,799	2,052,961
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\$ 877,142	\$ 2,011,066	\$ 9,466,202
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ALCONA COUNTY, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004

Fund balances - total governmental funds	\$ 2,052,961
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.	3,391,457
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.	
Add: Long term receivable - Due from other governments	213,000
Add: deferred revenues for loans receivable	1,263,400
Add: deferred revenues for ambulance accounts receivable	209,926
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Subtract: bonds payable	(213,000)
Subtract: note payable for ambulance	(88,190)
Subtract: compensated absences	(402,115)
Subtract: landfill costs	(80,214)
Net assets of governmental activities	<u>\$ 6,347,225</u>

The accompanying notes are an integral part of these financial statements.

ALCONA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	GENERAL	AMBULANCE SERVICE FUND	HOUSING COMMISSION ADMINISTRATION
REVENUES			
Taxes and penalties	\$ 2,545,412	\$ 575,462	\$ -
Licenses and permits	5,761	-	-
Federal grants	145,758	-	-
State grants	364,413	-	-
Contributions from local units	2,760	-	-
Charges for services	556,722	324,122	-
Fines and forfeits	18,570	-	-
Interest	71,080	2	7,256
Donations	-	600	-
Loan repayments	-	-	45,313
Rent	1,463	-	-
Other	38,751	1,641	-
TOTAL REVENUES	3,750,690	901,827	52,569
EXPENDITURES			
Legislative	120,708	-	-
Judicial	572,776	-	-
General government	1,227,972	-	-
Public safety	1,920,625	-	-
Public works	-	-	-
Health and welfare	193,734	892,873	603
Recreation and culture	-	-	-
Capital outlay	-	-	-
Other	140,203	-	-
Debt service - principal	-	-	-
Debt service - interest and charges	-	-	-
TOTAL EXPENDITURES	4,176,018	892,873	603
REVENUES OVER (UNDER) EXPENDITURES	(425,328)	8,954	51,966
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	-
Transfer in	176,956	-	-
Transfer out	(29,100)	-	(109,989)
TOTAL OTHER FINANCING SOURCES (USES)	147,856	-	(109,989)
NET CHANGE IN FUND BALANCES	(277,472)	8,954	(58,023)

REVENUE SHARING RESERVE	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 877,142	\$ 289,725	\$ 4,287,741
-	-	5,761
-	309,818	455,576
-	389,935	754,348
-	31,165	33,925
-	841,684	1,722,528
-	41,567	60,137
-	8,091	86,429
-	21,620	22,220
-	-	45,313
-	-	1,463
-	38,754	79,146
877,142	1,972,359	7,554,587
-	-	120,708
-	111,144	683,920
-	73,543	1,301,515
-	666,630	2,587,255
-	3,585	3,585
-	686,172	1,773,382
-	502,554	502,554
-	157,866	157,866
-	-	140,203
-	17,000	17,000
-	11,500	11,500
-	2,229,994	7,299,488
877,142	(257,635)	255,099
-	31,767	31,767
-	338,034	514,990
(118,617)	(51,078)	(308,784)
(118,617)	318,723	237,973
758,525	61,088	493,072

ALCONA COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - total governmental funds	\$ 493,072
Amounts reported for governmental activities in the statement of activities are different	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add: capital outlay	137,760
Subtract: loss on the sale of capital assets	(22,098)
Subtract: depreciation expense	(275,303)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Subtract: change in long-term receivables	(17,000)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add: principal payments on long-term liabilities	47,310
Subtract: change in deferred revenue	(16,200)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Add: decrease in the accrual of compensated absences	(50,012)
Add: decrease in postclosure landfill costs	4,842
Change in net assets of governmental activities	<u>\$ 302,371</u>

The accompanying notes are an integral part of these financial statements.

**ALCONA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ 2,587,677	\$ 2,587,677	\$ 2,545,412	\$ (42,265)
Licenses and permits	5,750	5,750	5,761	11
Federal grants	139,428	139,428	145,758	6,330
State grants	519,231	519,231	364,413	(154,818)
Contributions from local units	6,000	6,000	2,760	(3,240)
Charges for services	605,525	605,525	556,722	(48,803)
Fines and forfeits	15,290	15,290	18,570	3,280
Interest	74,870	74,870	71,080	(3,790)
Rent	16,500	16,500	1,463	(15,037)
Other	87,520	86,750	38,751	(47,999)
TOTAL REVENUES	4,057,791	4,057,021	3,750,690	(306,331)
EXPENDITURES				
Legislative	139,075	139,075	120,708	(18,367)
Judicial	646,768	646,768	572,776	(73,992)
General government	1,209,644	1,209,644	1,227,972	18,328
Public safety	1,758,111	1,758,881	1,920,625	161,744
Health and welfare	194,492	194,492	193,734	(758)
Other	105,300	105,300	140,203	34,903
TOTAL EXPENDITURES	4,053,390	4,054,160	4,176,018	121,858
REVENUES OVER (UNDER) EXPENDITURES	4,401	2,861	(425,328)	(428,189)
OTHER FINANCING SOURCES (USES)				
Transfer in	103,087	103,087	176,956	73,869
Transfer (out)	(117,500)	(117,500)	(29,100)	(88,400)
TOTAL OTHER FINANCING (USES)	(14,413)	(14,413)	147,856	162,269
NET CHANGE IN FUND BALANCES	(10,012)	(11,552)	(277,472)	(265,920)
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	281,768	281,768	281,768	-
FUND BALANCE, END OF YEAR	\$ 271,756	\$ 270,216	\$ 4,296	\$ (265,920)

The accompanying notes are an integral part of these financial statements.

**ALCONA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
AMBULANCE SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ 560,000	\$ 560,000	\$ 575,462	\$ 15,462
Charges for services	207,600	207,600	324,122	116,522
Interest	50	50	2	(48)
Contributions	-	-	600	600
Other	500	500	1,641	1,141
TOTAL REVENUES	768,150	768,150	901,827	133,677
EXPENDITURES				
Health and welfare	797,278	797,278	860,716	63,438
Debt service principal	-	-	30,310	30,310
Debt service Interest expense	-	-	1,847	1,847
TOTAL EXPENDITURES	797,278	797,278	892,873	95,595
REVENUES OVER (UNDER) EXPENDITURES	(29,128)	(29,128)	8,954	38,082
OTHER FINANCING SOURCES				
Transfer in	15,887	15,887	-	(15,887)
NET CHANGE IN FUND BALANCE	(13,241)	(13,241)	8,954	22,195
FUND BALANCE, BEGINNING OF YEAR,	8,989	8,989	8,989	-
FUND BALANCE (DEFICIT), END OF YEAR	\$ (4,252)	\$ (4,252)	\$ 17,943	\$ 22,195

The accompanying notes are an integral part of these financial statements.

**ALCONA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
HOUSING COMMISSION ADMINISTRATION
FOR THE YEAR ENDED DECEMBER 31, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Loan repayments	\$ 44,000	\$ 44,000	\$ 45,313	\$ 1,313
Interest	6,000	6,000	7,256	1,256
TOTAL REVENUES	50,000	50,000	52,569	2,569
EXPENDITURES				
Health and welfare	2,000	2,000	603	(1,397)
REVENUES OVER EXPENDITURES	48,000	48,000	51,966	3,966
OTHER FINANCING SOURCES (USES)				
Transfer (out)	(48,000)	(48,000)	(109,989)	(61,989)
NET CHANGE IN FUND BALANCE	-	-	(58,023)	(58,023)
FUND BALANCE, BEGINNING OF YEAR	207,421	207,421	207,421	-
FUND BALANCE, END OF YEAR	<u>\$ 207,421</u>	<u>\$ 207,421</u>	<u>\$ 149,398</u>	<u>\$ (58,023)</u>

The accompanying notes are an integral part of these financial statements.

ALCONA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
REVENUE SHARING RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ -	\$ -	\$ 877,142	\$ 877,142
OTHER FINANCING SOURCES (USES)				
Transfer (out)	-	-	(118,617)	(118,617)
NET CHANGE IN FUND BALANCE	-	-	758,525	758,525
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 758,525</u>	<u>\$ 758,525</u>

The accompanying notes are an integral part of these financial statements.

**ALCONA COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	ENTERPRISE		
	DELINQUENT TAX REVOLVING FUND	DELINQUENT TAX PROPERTY SALES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 79,080	\$ 16,886	\$ 95,966
Investments	1,765,812	578,432	2,344,244
Taxes receivable - delinquent	307,988	-	307,988
Interest receivable	561	1,118	1,679
Due from other funds	1,157,695	-	1,157,695
Total current assets	3,311,136	596,436	3,907,572
Long-term assets:			
Advances to other funds	69,443	-	69,443
<u>TOTAL ASSETS</u>	<u>3,380,579</u>	<u>596,436</u>	<u>3,977,015</u>
LIABILITIES			
Accounts payable	1,675	1,049	2,724
Due to other funds	58,338	-	58,338
<u>TOTAL LIABILITIES, ALL CURRENT</u>	<u>60,013</u>	<u>1,049</u>	<u>61,062</u>
NET ASSETS			
Unrestricted	\$ 3,320,566	\$ 595,387	\$ 3,915,953

**ALCONA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	ENTERPRISE		
	DELINQUENT TAX REVOLVING FUND	DELINQUENT TAX PROPERTY SALES	TOTAL
OPERATING REVENUES			
Interest on delinquent taxes	\$ 100,726	\$ -	\$ 100,726
Collection fees	53,364	-	53,364
Forfeiture fees	-	55,693	55,693
Sale of foreclosed property	-	560,814	560,814
Other	2,155	-	2,155
TOTAL OPERATING REVENUES	156,245	616,507	772,752
OPERATING EXPENSES			
Other	6,504	74,317	80,821
OPERATING INCOME	149,741	542,190	691,931
NONOPERATING REVENUE			
Interest on investments	56,465	5,452	61,917
INCOME BEFORE TRANSFERS	206,206	547,642	753,848
TRANSFERS			
Transfers in	1,132	-	1,132
Transfers out	(207,338)	-	(207,338)
NET TRANSFERS	(206,206)	-	(206,206)
NET INCOME	-	547,642	547,642
NET ASSETS, BEGINNING OF YEAR	3,320,566	47,745	3,368,311
NET ASSETS, END OF YEAR	\$ 3,320,566	\$ 595,387	\$ 3,915,953

**ALCONA COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	ENTERPRISE		
	DELINQUENT TAX REVOLVING FUND	DELINQUENT TAX PROPERTY SALES	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 52,304	\$ 615,389	\$ 667,693
Cash received from interfund services provided	(1,196,922)	-	(1,196,922)
Cash payments to suppliers for goods and services	(4,829)	(73,268)	(78,097)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,149,447)	542,121	(607,326)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	1,132	-	1,132
Transfers out	(207,338)	-	(207,338)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(206,206)	-	(206,206)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of investments	1,328,792	(578,432)	750,360
Interest on investments	56,465	5,452	61,917
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,385,257	(572,980)	812,277
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,604	(30,859)	(1,255)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	49,476	47,745	97,221
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 79,080	\$ 16,886	\$ 95,966
OPERATING INCOME	\$ 149,741	\$ 542,190	\$ 691,931
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
(Increase) decrease in assets:			
Taxes receivable - delinquent	(116,064)	-	(116,064)
Interest receivable	12,123	(1,118)	11,005
Due from other funds	(1,138,827)	-	(1,138,827)
Increase (decrease) in liabilities:			
Accounts payable	1,675	1,049	2,724
Due to other funds	(58,095)	-	(58,095)

ALCONA COUNTY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 952,207
Investments	<u>161</u>
<u>TOTAL ASSETS</u>	<u>\$ 952,368</u>
<u>LIABILITIES</u>	
Due to State	\$ 104,281
Unallocated property taxes	632,903
Undistributed receipts	172,916
Undistributed penal fines	<u>42,268</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 952,368</u>

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of *Alcona County* (the "County") conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

A. REPORTING ENTITY

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The component unit discussed below is considered to be part of the County's reporting entity because of the significance of its operational or financial relationship with the County.

Road Commission - The County appoints all members of the governing board of the Road Commission. The Road Commission deposits receipts with the County. The Road Commission also has investments through the County. A complete financial statement can be obtained from the Alcona County Road Commission, 301 N. Lake Street, Lincoln, Michigan 48742.

JOINT OPERATIONS

District Health Department

The counties of Ogemaw, Oscoda, Iosco and Alcona participate jointly in the operation of the District Health Department. The financial operations of the District Health Department are recorded in the records of the Ogemaw County Health Fund.

The funding formula approved by the member counties is based pro rata on each unit's population and equalized valuation to the district's total population and valuation. Member counties' percentages of the net operating budget for the year of 2004 were:

Ogemaw	28%	Oscoda	13%
Alcona	21%	Iosco	38%

Alcona County's appropriation to the District Health Department for 2004 was \$90,038.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financial accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *ambulance service fund* accounts for the collection of a separate tax millage that is used to fund the operations of ambulance services.

The *housing commission administration fund* provides low interest loans to assist residents in rehabilitation and construction of their homes within the County.

The *revenue sharing reserve fund* accounts for revenue from the December tax levy.

The government reports the following major proprietary funds:

The *delinquent tax revolving fund* accounts for the purchase of delinquent taxes from other local taxing units.

The *delinquent tax property sales fund* accounts for the sales and costs related to the delinquent tax reversion process.

Additionally, the County reports the following fund type:

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax revolving and the delinquent tax property sales enterprise funds are interest collected on delinquent taxes and the sale of foreclosed property. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

All short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents. Investments are stated at fair value.

2. RECEIVABLES AND PAYABLES

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. INVENTORY

Inventories of expendable supplies have not been recorded and the amount of any such inventories is not considered material. The cost of such inventories has been treated as an expenditure at the time of purchase. Inventory for the Road Commission is valued at cost as determined on the average unit cost method. Inventory items are charged to road construction, maintenance, equipment repairs and operations as they are used.

4. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the County of Alcona), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$1,000 for the Road Commission) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Infrastructure assets for the Road Commission include all roads and bridges acquired subsequent to January 1, 2004. Infrastructure assets acquired prior to that date are not reported in the basic financial statements.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Building and improvements	30-50 years
Land improvements	20 years
Equipment	4-20 years
Fixtures and furniture	15-20 years
Vehicles	3-5 years
Infrastructure – Roads	8 to 30 years
Infrastructure – Bridges	12 to 50 years

5. COMPENSATED ABSENCES

Compensated Absence Liability Recognition

Vacation and sick day policies for County employees are determined by union contracts. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

7. FUND EQUITY

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

The County follows these procedures in establishing the budgetary data reflected in the financial statements.

- Prior to December 1, the departments submit to the Board of Commissioners a proposed departmental operating budget for the fiscal year commencing the following January 1. This operating budget includes proposed expenditures and means of financing them.
- Public hearings are conducted at the governmental center to obtain taxpayer comments.
- Prior to January 1, the budget is legally enacted through passage of an ordinance
- All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Board of Commissioners throughout the operating year.
- Annual budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis, while the Enterprise Fund informational budget is prepared using the accrual basis of accounting. Both methods are consistent with generally accepted accounting principles (GAAP).
- The legal level of control is at the activity level for the General Fund and Special Revenue Funds except for the Revenue Sharing Reserve fund, which did not adopt a budget for the current fiscal year.
- The County Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures in the General Fund must be approved by the County Board of Commissioners

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

The General Fund and other County Funds had expenditures exceeding budgeted appropriations at the activity level, which is the County's legal level of budgetary control for the year ended December 31, 2004.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
GENERAL FUND			
JUDICIAL			
Multicounty Circuit Court	\$ 227,442	\$ 271,691	\$ (44,249)
GENERAL GOVERNMENT			
Elections	39,400	49,675	(10,275)
Prosecuting Attorney	212,236	232,766	(20,530)
Cooperative Extension Service	59,417	63,008	(3,591)
Buildings and Grounds	131,662	150,444	(18,782)
PUBLIC SAFETY			
Sheriff Department	996,049	1,064,300	(68,251)
Jail	587,645	641,764	(54,119)
Office of Emergency Preparedness	29,050	91,792	(62,742)
Animal Shelter	8,000	9,154	(1,154)
HEALTH & WELFARE			
Medical Examiner	12,200	12,370	(170)
Veterans' Affairs	9,300	16,335	(7,035)
Substance Abuse	25,000	25,912	(912)
Multicounty Mental Health	35,454	39,346	(3,892)
Cigarette Tax Distribution	-	9,733	(9,733)
OTHER			
Insurance and Bonds	100,300	108,270	(7,970)
Employer Costs and Fringes	5,000	31,933	(26,933)

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
AMBULANCE SERVICE FUND			
Health & Welfare	797,278	860,716	(63,438)
Debt Service – Principal	-	30,310	(30,310)
Debt Service – Interest	-	1,847	(1,847)
SPECIAL REVENUE FUNDS			
Parks and Recreation –			
Recreation & Culture	-	25,084	(25,084)
Inmate Welfare–			
Public Safety	4,000	7,092	(3,092)
Discretionary–			
Health & Welfare	57,000	67,082	(10,082)
DPW Landfill–			
Public Works	-	3,585	(3,585)
Riecker Memorial–			
Recreation & Culture	500	519	(19)
D.A.R.E.-			
Public Safety	2,600	2,749	(149)
Michigan Justice Training–			
Public Safety	3,600	5,358	(1,758)
Social Welfare –			
Health & Welfare	-	180,483	(180,483)
Veterans Trust-			
Health & Welfare	400	1,631	(1,231)
Housing Commission Revolving-			
Health & Welfare	275,265	309,703	(34,438)
County Fair-			
Recreation & Culture	65,000	77,811	(12,811)
Sick & Vacation-			
General Government	-	12,563	(12,563)
Public Guardian-			
Public Safety	-	19,961	(19,961)
Harbortown Market Place-			
Recreation & Culture	30,000	30,552	(552)
Register of Deeds Automation-			
General Government	20,000	24,651	(4,651)
Local Correction Officer Training-			
Public Safety	-	3,048	(3,048)

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

A reconciliation of cash, pooled investments and investments as shown in the basic financial statement to the County's deposits and investments is as follows:

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 419,107
Investments	4,284,083
Component Units:	
Cash and cash equivalents	976,387
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	952,207
Investments	<u>161</u>
Total	<u>\$ 6,631,945</u>
Notes to Financial Statements:	
Deposits	\$ 3,774,077
Investments	2,855,016
Cash on hand	<u>2,852</u>
Total	<u>\$ 6,631,945</u>

Deposits - At December 31, 2004, the carrying amount of the County's deposits was 3,774,077 and the bank balance was \$4,817,060. Of the bank balance, \$376,619 was covered by Federal Depository Insurance and \$4,440,441 was neither insured nor collateralized.

Investments

The County Board of Commissioners has adopted a comprehensive investment policy describing the types of investments in which the County Treasurer may invest. Management believes that the guidelines of this policy are in accordance with State of Michigan statutory guidelines as disclosed below.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Statutes authorize the County to invest in the following:

- Bonds, securities, repurchase agreements and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

An attorney general's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The County's deposits and investments are in accordance with statutory authority.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered, or securities held by the County or the County's agent in the County's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the Counterparty's Trust Department or its agent in the County's name. Category 3 includes investments that are uninsured and unregistered, with securities held by the Counterparty, or the Counterparty's Trust Department or Agent but not in the County's name.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

The County's investments are in accordance with statutory authority as follows:

	<u>Category</u>			<u>Fair Value/ Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Commercial paper	\$ 332,796	\$ -	\$ -	\$ 332,796
Uncategorized as to risk:				
Governmental Operating Money Market Funds				<u>2,522,220</u>
Total investments				<u>\$2,855,016</u>

B. RECEIVABLES

Receivables in the primary government and component unit are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Taxes	\$ 3,600,012	\$ 307,988	\$ -
Accounts	256,265	-	159,132
Interest	8,296	1,679	-
Loans			
Due within one year	45,313	-	-
Due after one year	1,218,087	-	-
Intergovernmental	<u>500,627</u>	<u>-</u>	<u>462,848</u>
Total	<u>\$ 5,628,600</u>	<u>\$ 309,667</u>	<u>\$ 621,980</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	\$ -	\$1,754,283
Property taxes receivable (Ambulance Service Fund)	-	583,267
Property taxes receivable (Nonmajor Governmental Funds)	-	385,320
Long-term receivable (Ambulance Service Fund)	209,926	-
Long-term receivable (Housing Commission Administration)	1,263,400	-
Grant drawdowns prior to meeting all eligibility requirements	-	47,490
Total	<u>\$ 1,473,326</u>	<u>\$2,770,360</u>

C. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2004 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 175,500	\$ -	\$ -	\$ 175,500
Work in process	-	18,000	-	18,000
Total capital assets not being depreciated	<u>175,500</u>	<u>18,000</u>	<u>-</u>	<u>193,500</u>
Capital assets being depreciated:				
Buildings & improvements	3,863,633	6,597	-	3,870,230
Land improvements	130,807	-	-	130,807
Equipment	839,606	29,270	-	868,876
Fixtures and furniture	39,188	-	-	39,188
Vehicles	<u>1,085,243</u>	<u>83,893</u>	<u>(143,003)</u>	<u>1,026,133</u>
Total capital assets being depreciated	<u>5,958,477</u>	<u>119,760</u>	<u>(143,003)</u>	<u>5,935,234</u>

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Less accumulated depreciation				
Buildings & improvements	(1,770,885)	(91,881)	-	(1,862,766)
Land improvements	(11,890)	(6,540)	-	(18,430)
Equipment	(484,656)	(96,439)	-	(581,095)
Furniture and fixtures	(10,683)	(2,252)	-	(12,935)
Vehicles	<u>(304,765)</u>	<u>(78,191)</u>	<u>120,905</u>	<u>(262,051)</u>
Total accumulated depreciation	<u>(2,582,879)</u>	<u>(275,303)</u>	<u>120,905</u>	<u>(2,737,277)</u>
Total capital assets being depreciated, net	<u>3,375,598</u>	<u>(155,543)</u>	<u>(22,098)</u>	<u>3,197,957</u>
Governmental activities capital assets, net	<u>\$ 3,551,098</u>	<u>\$(137,543)</u>	<u>\$ (22,098)</u>	<u>\$ 3,391,457</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 42,558
Public safety	116,693
Health and welfare	61,764
Culture and Recreation	<u>54,288</u>
Total depreciation expense – governmental activities	<u>\$ 275,303</u>

Commitments

The County has entered into a contract to purchase a new telephone system that is set to be operational in February 2005. The County is committed to expend an additional \$368,120 in the subsequent year for final installation of the system.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Activity for the Road Commission for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 91,689	\$ -	\$ -	\$ 91,689
Land improvements – infrastructure	-	617,856	-	617,856
Total capital assets not being depreciated	<u>91,689</u>	<u>617,856</u>	<u>-</u>	<u>709,545</u>
Capital assets being depreciated:				
Buildings	646,682	6,745	-	653,427
Land improvements	65,691	-	-	65,691
Equipment	4,515,398	182,667	(175,472)	4,522,593
Depletable assets	95,995	-	-	95,995
Infrastructure	-	869,286	-	869,286
Total capital assets being depreciated	<u>5,323,766</u>	<u>1,058,698</u>	<u>(175,472)</u>	<u>6,206,992</u>
Less accumulated depreciation				
Buildings	(325,602)	(33,310)	-	(358,912)
Land improvements	(45,618)	(20,072)	-	(65,690)
Equipment	(3,104,381)	(507,163)	155,279	(3,456,265)
Depletable assets	(95,995)	-	-	(95,995)
Infrastructure	-	-	-	-
Total accumulated depreciation	<u>(3,571,596)</u>	<u>(560,545)</u>	<u>155,279</u>	<u>(3,976,862)</u>
Total capital assets being depreciated, net	<u>1,752,170</u>	<u>498,153</u>	<u>(20,193)</u>	<u>2,230,130</u>
Governmental activities capital assets, net	<u>\$ 1,843,859</u>	<u>\$ 1,116,009</u>	<u>\$ (20,193)</u>	<u>\$ 2,939,675</u>

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To	Due From					Delinquent	
	General Fund	Ambulance Service Fund	Housing Commission Administration	Revenue Sharing Reserve	Nonmajor Governmental funds	Tax Revolving Fund	Total
General Fund	\$ -	\$ -	\$ -	\$ 118,617	\$ -	\$ 58,338	\$ 176,955
Housing Commission Administration	190,763	-	-	-	-	-	190,763
Nonmajor Governmental Funds	2,463	224,112	40,000	-	276,187	-	542,762
Delinquent Tax Revolving Fund	1,137,695	-	-	-	20,000	-	1,157,695
Revenue Sharing Reserve	877,142	-	-	-	-	-	877,142
Total	\$ 2,208,063	\$ 224,112	\$ 40,000	\$ 118,617	\$ 296,187	\$ 58,338	\$ 2,945,317

The balances are a result of time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Advances to/from other funds		
Nonmajor governmental funds	\$ 69,443	\$ -
Delinquent tax revolving fund	-	69,443
Total	<u>\$ 69,443</u>	<u>\$ 69,443</u>

The advance between the Delinquent tax revolving fund and the nonmajor governmental funds is for start up costs with the Library.

Transfer From	Transfers To			Total
	General Fund	Nonmajor Governmental Funds	Delinquent Tax Revolving Fund	
General Fund	\$ -	\$ 29,100	\$ -	\$ 29,100
Housing Commission Administration	-	109,989	-	109,989
Revenue Sharing Reserve	118,617	-	-	118,617
Nonmajor Governmental Funds	-	49,946	1,132	51,078
Delinquent Tax Revolving Fund	58,339	148,999	-	207,338
Total	<u>\$ 176,956</u>	<u>\$ 338,034</u>	<u>\$ 1,132</u>	<u>\$ 516,122</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

E. LONG-TERM DEBT

Primary Government

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$462,000.

General obligation bonds and leases are direct obligations bonds and pledge the full faith and credit of the government. These bonds are generally issued as 5 to 40-year serial bonds with varying amounts of principal maturing each year. All of the bond payments are reimbursed

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

by other governmental entities. General obligation and leases currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	5.0-8.0%	\$ 301,190

Annual debt service requirements to maturity for general obligation bonds and the note payable are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 46,078	\$ 12,497	\$ 236,734	\$ 15,600
2006	48,377	13,828	238,671	7,800
2007	50,735	10,221	45,700	-
2008	21,000	7,800	392,506	-
2009	22,000	6,750	-	-
2010-2014	113,000	17,250	-	-
Total	<u>\$ 301,190</u>	<u>\$ 68,346</u>	<u>\$ 913,611</u>	<u>\$ 23,400</u>

Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental activities:					
General obligation bonds	\$ 230,000	\$ -	\$ (17,000)	\$ 213,000	\$ 18,000
Note payable	118,500	-	(30,310)	88,190	28,078
Postclosure landfill	85,056	-	(4,842)	80,214	3,802
Compensated absences	<u>352,103</u>	<u>214,348</u>	<u>(164,336)</u>	<u>402,115</u>	<u>164,337</u>
Governmental activity					
Long-term liabilities	<u>\$ 785,659</u>	<u>\$ 214,348</u>	<u>\$(216,488)</u>	<u>\$ 783,519</u>	<u>\$ 214,217</u>
Component Unit					
Road Commission					
General obligation bonds	\$ 585,000	\$ -	\$ (195,000)	\$ 390,000	\$ 195,000
Notes payable	564,978	-	(41,367)	523,611	41,734
Compensated absences	<u>226,772</u>	<u>13,115</u>	<u>-</u>	<u>239,887</u>	<u>-</u>
Total Road Commission	<u>\$1,376,750</u>	<u>\$ 13,115</u>	<u>\$(236,367)</u>	<u>\$1,153,498</u>	<u>\$ 236,734</u>

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

In the governmental activities, compensated absences and the postclosure landfill liability are generally liquidated by the general fund.

IV. OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLAN

Description of the Plan

Plan Description. The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy. The County is required to contribute at an actuarially determined rate. County employees are required to contribute 0% to 3% of their annual covered payroll. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

Annual Pension Cost. For the year ended December 31, 2004, the County's annual pension cost of \$318,882 for MERS was equal to the County's required and actual contributions. The required contribution rate was determined using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 28 years.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/02	\$259,343	100%	-
12/31/03	301,907	100%	-
12/31/04	318,882	100%	-

Schedule of Funding Progress

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/01	\$4,801,624	\$6,540,439	\$1,738,815	73.4%	\$1,633,413	106.5%
12/31/02	4,930,403	6,853,046	1,922,643	71.9%	1,720,153	111.8%
12/31/03	5,349,469	7,517,377	2,167,908	71.2%	1,941,483	111.7%

B. EMPLOYEE RETIREMENT AND BENEFITS – ROAD COMMISSION

Defined Contribution Plan

The Road Commission contributes to the Alcona County Road Commission Retirement Plan, which is a defined contribution pension plan, fully funded through American Funds. The Board of Road Commissioners is the trustee of the plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits of a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

Contributions made by the Road Commission are vested at 100% immediately. The Road Commission is required to contribute an amount equal to 4% of the employee's gross earnings. Employees are not required to make contributions. The Road Commission made contributions in 2004 totaling \$44,536 based on employee wages of \$1,112,024. There are currently 32 employees included in the plan.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

The Road Commission retirement plan held no securities in or loans to parties related to the plan.

The financial information for the pension plan was available through the American Funds annual statement as of December 31, 2004 for presentation in the basic financial statements. A summary of activity in the plan is as follows (at fair value).

Balance, January 1, 2004	\$ 759,465
Contributions	44,536
Withdrawals	(74,125)
Change in value, including dividend and capital gain reinvestments and fees	72,005
Balance, December 31, 2004	<u>\$ 801,881</u>

Deferred Compensation Plan

The Road Commission offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are the agents of the employer (Road Commission) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the financial statements.

C. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits, the Road Commission provides postemployment health care insurance benefits to all retired employees by a group insurance plan. The benefits are provided in accordance with articles of the union agreement and coverage is similar to current employee coverage. The Road Commission's obligation ceases upon retirement. The Road Commission submits payments to the health insurance provider for retiree premiums on a monthly basis. These premiums are reimbursed by the retiree in the following month.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

D. PROPERTY TAXES

Property taxes become an enforceable lien on property as of December 1. Taxes are levied on December 1, and are payable by February 28. The cities and townships within the County bill and collect the property taxes for the County. County taxes levied December 1 are considered revenue for the subsequent year; therefore, taxes receivable in the governmental funds have been offset by deferred revenue. Real and personal property for the December 1, 2004 levy was assessed and equalized at \$581,030,402. The 2004 operating tax rates are 4.3507 mills for operating, 0.9644 for ambulance service, and 0.4856 for the county library.

E. MUNICIPAL SOLID WASTE LANDFILL POSTCLOSURE CARE COSTS

The County operated a landfill, the Alcona County Landfill (the "Landfill"), which was "Capped" on October 31, 1988, under Public Act No. 641 of 1978. The postclosure is presently governed by the State of Michigan Department of Environmental Quality (the "DEQ").

The Landfill is no longer accepting solid waste. Under regulations set forth by the DEQ, the County is required to perform annual ground water monitoring at the Landfill for a period of 30 years subsequent to its closure. In accordance with Governmental Accounting Standards Board Statement 18, *Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, management of the County has estimated the future postclosure costs expected to be incurred associated with the monitoring and the maintenance of the Landfill.

Past costs have been financed through the proceeds of a land contract on the sale of a Landfill Transfer Station neighboring the Landfill, which was sold several years ago. Future costs will be the responsibility of the County. Management anticipates that future monitoring costs will consist of only the costs associated with the ground water testing. Any liability related to any other costs, which may possibly be incurred, is not reasonably estimatable at this time and is not included in management's estimated liability. The estimated liability for expected postclosure costs as of December 31, 2004 is \$80,214.

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

F. RESTATEMENTS

Implementation of new accounting standards

As of and for the year ended December 31, 2004, the County implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- ◆ No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- ◆ No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- ◆ No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- ◆ No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The County was required to implement the new requirements no later than the current fiscal year ending December 31, 2004.

The more significant of the changes required by the new standards include:

- ◆ Management's discussion and analysis;
- ◆ Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- ◆ Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended December 31, 2004, the following restatements were made to beginning net assets:

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Government-wide financial statements.

Beginning net assets for governmental activities were determined as follows:

Fund balances of general, special revenue, debt service and capital project funds as of 12/31/03	\$ 1,559,889
Add: long-term receivables as of 12/31/03	230,000
Add: governmental capital assets, including general fixed assets, as of 12/31/03	6,133,977
Deduct: accumulated depreciation as of 12/31/03 on above governmental fixed assets	(2,582,879)
Deduct: Long-term debt as of 12/31/03	(230,000)
Deduct: Ambulance service fund debt as of 12/31/03	(118,500)
Deduct: accumulated compensated absences liability as of 12/31/03	(352,103)
Add: deferred revenue related to long-term receivables earned but not collected as of 12/31/03	1,489,526
Deduct: Postclosure landfill liability as of 12/31/03	<u>(85,056)</u>
Governmental net assets, restated, as of 12/31/03	<u>\$ 6,044,854</u>

G. CONTINGENCIES AND PENDING LITIGATION

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, County management does not believe such disallowances, if any, will be material to the financial position of the County.

H. PRIOR PERIOD ADJUSTMENTS

For the County's general fund, an adjustment was made to properly state 2003 accounts payable for which the net effect caused the County's liabilities and expenditures to be understated. This error has been corrected and had the following effect on the beginning fund balance:

Beginning fund balance, as previously reported	\$ 283,311
Adjustment for 2003 accounts payable	<u>(1,543)</u>
Beginning fund balance, as restated	<u>\$ 281,768</u>

ALCONA COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

For the County's social welfare fund and child care fund, an adjustment was made to properly state a 2003 transfer which caused an overstatement of assets and equity in the social welfare fund and an understatement of assets and equity in the child care fund. This error has been corrected and had the following effect on the beginning fund balances:

Beginning social welfare fund fund balance,	
as previously reported	\$ 106,889
Adjustment for transfer	<u>(60,000)</u>
Beginning fund balance, as restated	<u>\$ 46,889</u>
Beginning child care fund balance,	
as previously reported	\$ 3,089
Adjustment for transfer	<u>60,000</u>
Beginning fund balance, as restated	<u>\$ 63,089</u>

I. SUBSEQUENT EVENTS

After fiscal year end, the Road Commission executed rural construction contracts in the amount of \$870,000 and authorized equipment purchases in the amount of \$140,000.

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ALCONA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
TAXES AND PENALTIES				
Current property taxes	\$ 2,528,227	\$ 2,528,227	\$ 2,515,445	\$ (12,782)
Unpaid personal property taxes	12,000	12,000	1,503	(10,497)
Payments in lieu of taxes	45,300	45,300	27,194	(18,106)
Trailer park tax	150	150	84	(66)
Interest on taxes	2,000	2,000	1,186	(814)
TOTAL TAXES AND PENALTIES	2,587,677	2,587,677	2,545,412	(42,265)
LICENSES AND PERMITS				
Dog licenses	3,000	3,000	2,180	(820)
Marriage licenses	500	500	315	(185)
Pistol permits	1,850	1,850	2,912	1,062
Boat livery tags	400	400	354	(46)
TOTAL LICENSES AND PERMITS	5,750	5,750	5,761	11
FEDERAL GRANTS				
Emergency services	93,500	93,500	93,952	452
School liaison officer	31,000	31,000	28,797	(2,203)
JAIB Grant	6,480	6,480	6,487	7
Cooperative reimbursement program - Prosecuting Attorney	8,448	8,448	16,522	8,074
TOTAL FEDERAL GRANTS	139,428	139,428	145,758	6,330
STATE GRANTS				
Probate judges' salaries	20,000	20,000	24,649	4,649
Secondary road patrol program	54,500	54,500	54,276	(224)
Marine safety program	17,500	17,500	8,973	(8,527)
Snowmobile safety program	2,760	2,760	2,760	-
Drunk driving caseload assistance	3,100	3,100	3,145	45
Cooperative reimbursement program - Prosecuting Attorney	12,800	12,800	8,512	(4,288)
Court equity	76,661	76,661	81,844	5,183
Court juvenile officer	7,500	7,500	20,488	12,988
Youth/family surveillance	12,080	12,080	12,587	507
Judges' salary standardization	13,180	13,180	5,751	(7,429)
Voter registration	500	500	267	(233)
Bulletproof vest reimbursement grant	40,000	40,000	790	(39,210)
Sheriff park patrol	4,280	4,280	5,652	1,372
Transporting prisoners	3,000	3,000	1,930	(1,070)
State revenue sharing	194,620	194,620	69,775	(124,845)
State liquor tax	56,000	56,000	56,243	243
State cigarette tax	-	-	6,740	6,740
Drug caseload	750	750	31	(719)
TOTAL STATE GRANTS	519,231	519,231	364,413	(154,818)
CONTRIBUTIONS FROM LOCAL UNITS	6,000	6,000	2,760	(3,240)

(Continued)

**ALCONA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
CHARGES FOR SERVICES				
Circuit court costs	\$ 12,590	\$ 12,590	\$ 15,579	\$ 2,989
District court costs	135,000	135,000	151,885	16,885
Bond costs	2,630	2,630	3,689	1,059
District court fees	11,390	11,390	15,234	3,844
Court-appointed attorney fees	10,055	10,055	13,472	3,417
Probation fees	24,085	24,085	32,254	8,169
Friend of the court fees	8,800	8,800	99	(8,701)
Circuit court fees	4,500	4,500	4,019	(481)
Clerk services	7,500	7,500	7,782	282
Probate court fees	7,500	7,500	5,483	(2,017)
Equalization services	4,000	4,000	3,103	(897)
Treasurer's services	4,000	4,000	4,235	235
Prosecution and investigation fees	7,760	7,760	11,015	3,255
Real estate transfer tax	60,000	60,000	68,852	8,852
Register of deed's fees	103,000	103,000	109,863	6,863
Remonumentation	400	400	320	(80)
Child care collection fees	400	400	303	(97)
Sheriff services	19,065	19,065	12,911	(6,154)
Employee meals	1,500	1,500	119	(1,381)
Salvage vehicle inspection	200	200	100	(100)
Record copying	2,000	2,000	1,101	(899)
Computer services	25,150	25,150	25,156	6
Inmates' room and board	154,000	154,000	70,148	(83,852)
TOTAL CHARGES FOR SERVICES	605,525	605,525	556,722	(48,803)
FINES AND FORFEITS				
Bond forfeiture	15,290	15,290	18,570	3,280
INVESTMENT INCOME	74,870	74,870	71,080	(3,790)

(Continued)

**ALCONA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
RENT				
Library	\$ 15,000	\$ 15,000	\$ 1,463	\$ (13,537)
Friend of the Court	1,500	1,500	-	(1,500)
TOTAL RENT	16,500	16,500	1,463	(15,037)
OTHER REVENUES				
Miscellaneous refunds	54,420	54,420	29,144	(25,276)
Friend of the Court postage reimbursement	1,200	1,200	-	(1,200)
Sale of capital assets	7,500	7,500	1	(7,499)
Other	24,300	23,530	9,606	(13,924)
K-9 unit donations	100	100	-	(100)
TOTAL OTHER REVENUES	87,520	86,750	38,751	(47,999)
TOTAL REVENUES	4,057,791	4,057,021	3,750,690	(306,331)
TRANSFERS IN	103,087	103,087	176,956	73,869
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 4,160,878	\$ 4,160,108	\$ 3,927,646	\$ (232,462)

ALCONA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
LEGISLATIVE				
Board of Commissioners	\$ 139,075	\$ 139,075	\$ 120,708	\$ (18,367)
JUDICIAL				
Multicounty Circuit Court	227,442	227,442	271,691	44,249
Multicounty Public Advocate	76,300	76,300	1,161	(75,139)
Multicounty Probation Officer	1,000	1,000	-	(1,000)
District Court	184,822	184,822	170,479	(14,343)
Friend of the Court	24,485	24,485	2,991	(21,494)
Probate Court	130,219	130,219	124,272	(5,947)
Jury Commission	2,500	2,500	2,182	(318)
TOTAL JUDICIAL	646,768	646,768	572,776	(73,992)
GENERAL GOVERNMENT				
Elections	39,400	39,400	49,675	10,275
County clerk	200,410	200,410	185,466	(14,944)
Equalization department	182,525	182,525	181,145	(1,380)
Prosecuting attorney	212,236	212,236	232,766	20,530
Register of deeds	167,803	167,803	163,940	(3,863)
County treasurer	140,291	140,291	139,632	(659)
Cooperative extension service	59,417	59,417	63,008	3,591
Central data processing/repairs	72,600	72,600	58,596	(14,004)
Buildings and grounds	131,662	131,662	150,444	18,782
Soil conservation	3,300	3,300	3,300	-
TOTAL GENERAL GOVERNMENT	1,209,644	1,209,644	1,227,972	18,328
PUBLIC SAFETY				
Sheriff department	996,049	996,049	1,064,300	68,251
Marine safety	26,500	26,500	22,084	(4,416)
Snowmobile safety	6,000	6,000	1,690	(4,310)
Secondary road patrol	105,637	105,637	89,841	(15,796)
Jail	587,645	587,645	641,764	54,119
Office of emergency preparedness	28,280	29,050	91,792	62,742
Animal shelter	8,000	8,000	9,154	1,154
TOTAL PUBLIC SAFETY	1,758,111	1,758,881	1,920,625	161,744

(Continued)

**ALCONA COUNTY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
HEALTH AND WELFARE				
Medical examiner	\$ 12,200	\$ 12,200	\$ 12,370	\$ 170
Veterans' affairs	9,300	9,300	16,335	7,035
Substance abuse	25,000	25,000	25,912	912
Multicounty District Health	90,038	90,038	90,038	-
Multicounty Mental Health	35,454	35,454	39,346	3,892
Recycle Alcona	1,500	1,500	-	(1,500)
Cigarette tax distribution	-	-	9,733	9,733
Multicounty - HUNT	21,000	21,000	-	(21,000)
TOTAL HEALTH AND WELFARE	194,492	194,492	193,734	(758)
OTHER				
Insurance and bonds	100,300	100,300	108,270	7,970
Employer costs and fringes	5,000	5,000	31,933	26,933
TOTAL OTHER	105,300	105,300	140,203	34,903
TOTAL EXPENDITURES	4,053,390	4,054,160	4,176,018	121,858
TRANSFERS OUT				
Parks and Recreation	1,000	1,000	1,000	-
Alcona Recreation Area	3,500	3,500	3,500	-
DPW Landfill	7,000	7,000	3,500	(3,500)
Economic Development	10,000	10,000	9,000	(1,000)
Child Care	91,000	91,000	7,100	(83,900)
Social Welfare	5,000	5,000	5,000	-
TOTAL TRANSFERS OUT	117,500	117,500	29,100	(88,400)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 4,170,890	\$ 4,171,660	\$ 4,205,118	\$ 33,458

**ALCONA COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	SPECIAL REVENUE FUNDS	DEBT SERVICE	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 320,057	\$ -	\$ 832	\$ 320,889
Investments	437,337	-	65,349	502,686
Taxes receivable	385,320	-	-	385,320
Accounts receivable	41,363	-	-	41,363
Interest receivable	243	-	-	243
Due from other funds	526,068	-	16,694	542,762
Due from State	117,669	-	-	117,669
Due from Federal	100,134	-	-	100,134
TOTAL ASSETS	\$ 1,928,191	\$ -	\$ 82,875	\$ 2,011,066
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES				
Accounts payable	\$ 50,563	\$ -	\$ -	\$ 50,563
Accrued liabilities	4,131	-	-	4,131
Deposits payable	3,133	-	-	3,133
Due to other funds	214,144	-	82,043	296,187
Due to State	32,000	-	-	32,000
Deferred revenue	432,810	-	-	432,810
Advances from other funds	69,443	-	-	69,443
TOTAL LIABILITIES	806,224	-	82,043	888,267
FUND EQUITY				
Fund balances:				
Reserved	4,991	-	832	5,823
Unreserved - undesignated	1,116,976	-	-	1,116,976
TOTAL FUND BALANCES	1,121,967	-	832	1,122,799
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,928,191	\$ -	\$ 82,875	\$ 2,011,066

ALCONA COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	SPECIAL REVENUE FUNDS	DEBT SERVICE	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Property taxes	\$ 289,725	\$ -	\$ -	\$ 289,725
Federal grants	294,818	-	15,000	309,818
State grants	389,935	-	-	389,935
Contributions from local units	2,665	28,500	-	31,165
Charges for services	841,684	-	-	841,684
Fines and forfeits	41,567	-	-	41,567
Interest	6,310	-	1,781	8,091
Donations	21,620	-	-	21,620
Other	38,754	-	-	38,754
TOTAL REVENUES	1,927,078	28,500	16,781	1,972,359
EXPENDITURES				
Judicial	111,144	-	-	111,144
General government	73,543	-	-	73,543
Public safety	666,630	-	-	666,630
Public works	3,585	-	-	3,585
Health and welfare	686,172	-	-	686,172
Recreation and cultural	502,554	-	-	502,554
Capital outlay	-	-	157,866	157,866
Debt service - principal	-	17,000	-	17,000
Debt service - interest and fiscal charges	-	11,500	-	11,500
TOTAL EXPENDITURES	2,043,628	28,500	157,866	2,229,994
REVENUES OVER (UNDER) EXPENDITURES	(116,550)	-	(141,085)	(257,635)
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	-	-	31,767	31,767
Transfers in	230,340	-	107,694	338,034
Transfers out	(51,078)	-	-	(51,078)
TOTAL OTHER FINANCING SOURCES (USES)	179,262	-	139,461	318,723
NET CHANGE IN FUND BALANCES	62,712	-	(1,624)	61,088
FUND BALANCES, BEGINNING OF YEAR	1,059,255	-	2,456	1,061,711
FUND BALANCES, END OF YEAR	\$ 1,121,967	\$ -	\$ 832	\$ 1,122,799

**ALCONA COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2004**

	PARKS AND RECREATION	ALCONA RECREATION AREA	INMATE WELFARE	FRIEND OF THE COURT
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ 1,845	\$ 2,795	\$ 26,283
Investments	55,893	1,248	-	-
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	-	-	-	-
Due from other funds	-	-	338	-
Due from State	7,532	-	-	36,702
Due from Federal	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 63,425</u>	<u>\$ 3,093</u>	<u>\$ 3,133</u>	<u>\$ 62,985</u>
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES				
Accounts payable	\$ 6,158	\$ 93	\$ -	\$ 6,986
Accrued liabilities	-	-	-	894
Deposits payable	-	-	3,133	-
Due to other funds	25,595	-	-	-
Due to State	-	-	-	-
Deferred revenue	-	-	-	-
Advances from other funds	-	-	-	-
<u>TOTAL LIABILITIES</u>	<u>31,753</u>	<u>93</u>	<u>3,133</u>	<u>7,880</u>
FUND EQUITY				
Fund balances:				
Reserved	-	-	-	-
Unreserved - undesignated	31,672	3,000	-	55,105
<u>TOTAL FUND BALANCES</u>	<u>31,672</u>	<u>3,000</u>	<u>-</u>	<u>55,105</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 63,425</u>	<u>\$ 3,093</u>	<u>\$ 3,133</u>	<u>\$ 62,985</u>

DISCRETIONARY	DPW LANDFILL	BUDGET STABILIZATION	RIECKER MEMORIAL	COUNTY LIBRARY	BUILDING INSPECTION FUND
\$ -	\$ 330	\$ 14,119	\$ 757	\$ 54,680	\$ 36,097
12,000	20	-	-	29,323	-
-	-	-	-	293,650	-
-	-	-	-	-	-
-	-	-	-	-	-
23,000	-	286,154	-	51,918	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 35,000	\$ 350	\$ 300,273	\$ 757	\$ 429,571	\$ 36,097

\$ 8,676	\$ -	\$ -	\$ -	\$ 2,424	\$ 2,915
-	-	-	-	-	378
-	-	-	-	-	-
26,323	-	44,946	-	-	-
-	-	-	-	-	-
-	-	-	-	293,650	-
-	-	-	-	69,443	-
34,999	-	44,946	-	365,517	3,293

-	-	-	-	-	-
1	350	255,327	757	64,054	32,804
1	350	255,327	757	64,054	32,804
\$ 35,000	\$ 350	\$ 300,273	\$ 757	\$ 429,571	\$ 36,097

(Continued)

ALCONA COUNTY, MICHIGAN
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2004

	LAW LIBRARY	LIBRARY MEMORIAL	ECONOMIC DEVELOPMENT COMMISSION	LAW ENFORCEMENT
<u>ASSETS</u>				
Cash and cash equivalents	\$ 209	\$ 5,135	\$ 223	\$ 3,398
Investments	101	-	-	-
Taxes receivable	-	-	-	-
Accounts receivable	1,250	-	-	-
Interest receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from State	-	-	-	-
Due from Federal	-	-	-	-
TOTAL ASSETS	\$ 1,560	\$ 5,135	\$ 223	\$ 3,398
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 505	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Due to State	-	-	-	-
Deferred revenue	-	-	-	-
Advances from other funds	-	-	-	-
TOTAL LIABILITIES	505	-	-	-
<u>FUND EQUITY</u>				
Fund balances:				
Reserved	-	-	-	-
Unreserved - undesignated	1,055	5,135	223	3,398
TOTAL FUND BALANCES	1,055	5,135	223	3,398
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,560	\$ 5,135	\$ 223	\$ 3,398

DARE	MICHIGAN JUSTICE TRAINING	SOCIAL WELFARE	CHILD CARE	SHERIFF'S PAY PHONE	VETERANS TRUST	REMONUMENT- ACTION
\$ 4,764	\$ 3,144	\$ 31,256	\$ 230	\$ 8,404	\$ 379	\$ 15,622
-	-	48,765	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	4,915	-	-	-
-	-	11,936	11,387	-	-	50,112
-	-	-	-	-	-	-
\$ 4,764	\$ 3,144	\$ 91,957	\$ 16,532	\$ 8,404	\$ 379	\$ 65,734
\$ -	\$ -	\$ 2,692	\$ 16,532	\$ -	\$ -	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	32,000	-	-	-	-
-	-	-	-	-	-	47,490
-	-	-	-	-	-	-
-	-	34,692	16,532	-	-	47,490
-	-	4,991	-	-	-	-
4,764	3,144	52,274	-	8,404	379	18,244
4,764	3,144	57,265	-	8,404	379	18,244
\$ 4,764	\$ 3,144	\$ 91,957	\$ 16,532	\$ 8,404	\$ 379	\$ 65,734

(Continued)

**ALCONA COUNTY, MICHIGAN
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2004**

	HOUSING COMMISSION REVOLVING	COUNTY FAIR	EMERGENCY 911	H.U.N.T
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ -	\$ 26,380	\$ -
Investments	-	4,124	285,863	-
Taxes receivable	-	-	-	91,670
Accounts receivable	-	-	40,113	-
Interest receivable	-	-	243	-
Due from other funds	40,000	-	-	-
Due from State	-	-	-	-
Due from Federal	100,134	-	-	-
TOTAL ASSETS	\$ 140,134	\$ 4,124	\$ 352,599	\$ 91,670
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES				
Accounts payable	\$ 1,068	\$ -	\$ 1,571	\$ -
Accrued liabilities	-	-	2,859	-
Deposits payable	-	-	-	-
Due to other funds	113,288	3,992	-	-
Due to State	-	-	-	91,670
Deferred revenue	-	-	-	-
Advances from other funds	-	-	-	-
TOTAL LIABILITIES	114,356	3,992	4,430	91,670
FUND EQUITY				
Fund balances:				
Reserved	-	-	-	-
Unreserved - undesignated	25,778	132	348,169	-
TOTAL FUND BALANCES	25,778	132	348,169	-
TOTAL LIABILITIES AND FUND EQUITY	\$ 140,134	\$ 4,124	\$ 352,599	\$ 91,670

SICK AND VACATION	PUBLIC GUARDIAN	HARBORTOWN MARKETPLACE	REGISTER OF DEEDS AUTOMATION	LOCAL CORRECTION OFFICER TRAINING	TOTAL
\$ 31,753	\$ 42	\$ 19,393	\$ 30,135	\$ 2,684	\$ 320,057
-	-	-	-	-	437,337
-	-	-	-	-	385,320
-	-	-	-	-	41,363
-	-	-	-	-	243
119,743	-	-	-	-	526,068
-	-	-	-	-	117,669
-	-	-	-	-	100,134
\$ 151,496	\$ 42	\$ 19,393	\$ 30,135	\$ 2,684	\$ 1,928,191

\$ -	\$ -	\$ 943	\$ -	\$ -	\$ 50,563
-	-	-	-	-	4,131
-	-	-	-	-	3,133
-	-	-	-	-	214,144
-	-	-	-	-	32,000
-	-	-	-	-	432,810
-	-	-	-	-	69,443
-	-	943	-	-	806,224

-	-	-	-	-	4,991
151,496	42	18,450	30,135	2,684	1,116,976
151,496	42	18,450	30,135	2,684	1,121,967
\$ 151,496	\$ 42	\$ 19,393	\$ 30,135	\$ 2,684	\$ 1,928,191

**ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	PARKS AND RECREATION			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	35,458	35,458
Contributions from local units	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest	-	-	160	160
Donations	-	-	-	-
Other	-	-	200	200
TOTAL REVENUES	-	-	35,818	35,818
EXPENDITURES				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	25,084	25,084
TOTAL EXPENDITURES	-	-	25,084	25,084
REVENUES OVER (UNDER) EXPENDITURES	-	-	10,734	10,734
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,000	1,000
Transfers out	-	-	(5,000)	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(4,000)	(4,000)
NET CHANGE IN FUND BALANCES	-	-	6,734	6,734
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	24,938	24,938	24,938	-
FUND BALANCES, END OF YEAR	\$ 24,938	\$ 24,938	\$ 31,672	\$ 6,734

ALCONA RECREATION AREA				
ORIGINAL	AMENDED		OVER	
BUDGET	BUDGET	ACTUAL	(UNDER)	
			BUDGET	
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10	10	13		3
-	-	-		-
-	-	-		-
10	10	13		3
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
3,610	3,610	2,694		(916)
3,610	3,610	2,694		(916)
(3,600)	(3,600)	(2,681)		919
3,600	3,600	3,500		(100)
-	-	-		-
3,600	3,600	3,500		(100)
-	-	819		819
2,181	2,181	2,181		-
\$ 2,181	\$ 2,181	\$ 3,000	\$	819

INMATE WELFARE				
ORIGINAL	AMENDED		OVER	
BUDGET	BUDGET	ACTUAL	(UNDER)	
			BUDGET	
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,000	4,000	5,877		1,877
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
4,000	4,000	5,877		1,877
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
4,000	4,000	7,092		3,092
-	-	-		-
-	-	-		-
-	-	-		-
-	-	-		-
4,000	4,000	7,092		3,092
-	-	(1,215)		(1,215)
-	-	338		338
-	-	-		-
-	-	338		338
-	-	(877)		(877)
-	-	-		-
877	877	877		-
\$ 877	\$ 877	\$ -	\$	(877)

**ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	FRIEND OF THE COURT			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	105,078	105,078	87,968	(17,110)
State grants	46,526	46,526	29,419	(17,107)
Contributions from local units	-	-	-	-
Charges for services	22,991	22,991	9,496	(13,495)
Fines and forfeits	-	-	-	-
Interest	-	-	203	203
Donations	-	-	-	-
Other	-	-	1,024	1,024
TOTAL REVENUES	174,595	174,595	128,110	(46,485)
EXPENDITURES				
Judicial	130,294	130,294	107,438	(22,856)
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
TOTAL EXPENDITURES	130,294	130,294	107,438	(22,856)
REVENUES OVER (UNDER) EXPENDITURES	44,301	44,301	20,672	(23,629)
OTHER FINANCING SOURCES (USES)				
Transfers in	24,485	24,485	-	(24,485)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	24,485	24,485	-	(24,485)
NET CHANGE IN FUND BALANCES	68,786	68,786	20,672	(48,114)
FUND BALANCES, BEGINNING OF YEAR AS RESTATED	34,304	34,304	34,433	129
FUND BALANCES, END OF YEAR	\$ 103,090	\$ 103,090	\$ 55,105	\$ (47,985)

DISCRETIONARY			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
20,000	20,000	38,244	18,244
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
20,000	20,000	38,244	
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
57,000	57,000	67,082	10,082
-	-	-	-
57,000	57,000	67,082	10,082
(37,000)	(37,000)	(28,838)	8,162
37,000	37,000	27,999	(9,001)
-	-	-	-
37,000	37,000	27,999	(9,001)
-	-	(839)	(839)
840	840	840	-
\$ 840	\$ 840	\$ 1	\$ (839)

DPW LANDFILL			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	3,585	3,585
-	-	-	-
-	-	-	-
-	-	3,585	3,585
-	-	(3,585)	(3,585)
-	-	3,500	3,500
-	-	-	-
-	-	3,500	3,500
-	-	(85)	(85)
435	435	435	-
\$ 435	\$ 435	\$ 350	\$ (85)

**ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	BUDGET STABILIZATION			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
Contributions from local units	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest	-	-	-	-
Donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(44,946)	(44,946)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(44,946)	(44,946)
NET CHANGE IN FUND BALANCES	-	-	(44,946)	(44,946)
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	300,273	300,273	300,273	-
FUND BALANCES, END OF YEAR	\$ 300,273	\$ 300,273	\$ 255,327	\$ (44,946)

RIECKER MEMORIAL				
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET	
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
500	500	500	-	-
-	-	-	-	-
500	500	500	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
500	500	519	19	19
500	500	519	19	19
-	-	(19)	(19)	(19)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	(19)	(19)	(19)
776	776	776	-	-
\$ 776	\$ 776	\$ 757	\$ (19)	(19)

COUNTY LIBRARY				
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET	
\$ 285,400	\$ 285,400	\$ 289,725	\$ 4,325	
-	-	-	-	-
42,850	42,850	22,796	(20,054)	(20,054)
500	2,000	2,665	665	665
2,200	2,200	2,941	741	741
71,500	71,500	39,067	(32,433)	(32,433)
1,500	1,500	756	(744)	(744)
4,000	4,000	6,094	2,094	2,094
8,300	8,300	9,569	1,269	1,269
416,250	417,750	373,613	(44,137)	(44,137)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
376,250	378,550	356,893	(21,657)	(21,657)
376,250	378,550	356,893	(21,657)	(21,657)
40,000	39,200	16,720	(22,480)	(22,480)
-	-	-	-	-
40,000	39,200	(1,132)	(40,332)	(40,332)
40,000	39,200	(1,132)	(40,332)	(40,332)
80,000	78,400	15,588	(62,812)	(62,812)
44,084	44,084	48,466	4,382	4,382
\$ 124,084	\$ 122,484	\$ 64,054	\$ (58,430)	(58,430)

**ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	BUILDING INSPECTION FUND			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
Contributions from local units	-	-	-	-
Charges for services	233,559	233,559	248,710	15,151
Fines and forfeits	-	-	-	-
Interest	-	-	113	113
Donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	233,559	233,559	248,823	15,264
EXPENDITURES				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	233,401	233,401	216,084	(17,317)
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
TOTAL EXPENDITURES	233,401	233,401	216,084	(17,317)
REVENUES OVER (UNDER) EXPENDITURES	158	158	32,739	32,581
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	158	158	32,739	32,581
FUND BALANCES, BEGINNING OF YEAR AS RESTATED	65	65	65	-
FUND BALANCES, END OF YEAR	\$ 223	\$ 223	\$ 32,804	\$ 32,581

LAW LIBRARY			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
2,500	2,500	2,500	-
-	-	-	-
-	-	-	-
-	-	-	-
2,500	2,500	2,500	-
4,500	4,500	3,706	(794)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,500	4,500	3,706	(794)
(2,000)	(2,000)	(1,206)	794
2,000	2,000	1,000	(1,000)
-	-	-	-
2,000	2,000	1,000	(1,000)
-	-	(206)	(206)
11	11	1,261	1,250
\$ 11	\$ 11	\$ 1,055	\$ 1,044

LIBRARY MEMORIAL			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,000	1,000	1,390	390
-	-	-	-
1,000	1,000	1,421	421
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,000	1,000	224	(776)
1,000	1,000	224	(776)
-	-	1,197	1,197
-	-	-	-
-	-	-	-
-	-	-	-
-	-	1,197	1,197
3,938	3,938	3,938	-
\$ 3,938	\$ 3,938	\$ 5,135	\$ 1,197

**ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	ECONOMIC DEVELOPMENT COMMISSION			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
Contributions from local units	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest	-	-	-	-
Donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	9,950	9,950	8,777	(1,173)
TOTAL EXPENDITURES	9,950	9,950	8,777	(1,173)
REVENUES OVER (UNDER) EXPENDITURES	(9,950)	(9,950)	(8,777)	1,173
OTHER FINANCING SOURCES (USES)				
Transfers in	9,950	9,950	9,000	(950)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	9,950	9,950	9,000	(950)
NET CHANGE IN FUND BALANCES	-	-	223	223
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 223	\$ 223

LAW ENFORCEMENT			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
200	200	113	(87)
-	-	-	-
-	-	-	-
-	-	-	-
25	25	22	(3)
-	-	-	-
-	-	-	-
225	225	135	(90)
-	-	-	-
-	-	-	-
225	225	-	(225)
-	-	-	-
-	-	-	-
-	-	-	-
225	225	-	(225)
-	-	135	135
-	-	-	-
-	-	-	-
-	-	-	-
-	-	135	135
3,263	3,263	3,263	-
\$ 3,263	\$ 3,263	\$ 3,398	\$ 135

DARE			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
50	50	31	(19)
2,550	2,550	4,670	2,120
-	-	-	-
2,600	2,600	4,701	2,101
-	-	-	-
-	-	-	-
2,600	2,600	2,749	149
-	-	-	-
-	-	-	-
-	-	-	-
2,600	2,600	2,749	149
-	-	1,952	1,952
-	-	-	-
-	-	-	-
-	-	-	-
-	-	1,952	1,952
2,812	2,812	2,812	-
\$ 2,812	\$ 2,812	\$ 4,764	\$ 1,952

**ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	MICHIGAN JUSTICE TRAINING			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	-
State grants	3,500	3,500	3,386	(114)
Contributions from local units	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest	100	100	21	(79)
Donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	3,600	3,600	3,407	(193)
EXPENDITURES				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	3,600	3,600	5,358	1,758
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
TOTAL EXPENDITURES	3,600	3,600	5,358	1,758
REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,951)	(1,951)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	(1,951)	(1,951)
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	5,095	5,095	5,095	-
FUND BALANCES, END OF YEAR	\$ 5,095	\$ 5,095	\$ 3,144	\$ (1,951)

SOCIAL WELFARE			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	176,794	176,794
-	-	-	-
-	-	8,201	8,201
-	-	-	-
-	-	864	864
-	-	-	-
-	-	-	-
-	-	185,859	185,859
-	-	-	-
-	-	-	-
-	-	-	-
-	-	180,483	180,483
-	-	-	-
-	-	180,483	180,483
-	-	5,376	5,376
-	-	5,000	5,000
-	-	-	-
-	-	5,000	5,000
-	-	10,376	10,376
106,889	106,889	46,889	(60,000)
\$ 106,889	\$ 106,889	\$ 57,265	\$ (49,624)

CHILD CARE			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
106,000	106,000	51,437	(54,563)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,000	3,000	832	(2,168)
109,000	109,000	52,269	(56,731)
-	-	-	-
-	-	-	-
-	-	-	-
200,000	200,000	127,273	(72,727)
-	-	-	-
200,000	200,000	127,273	(72,727)
(91,000)	(91,000)	(75,004)	15,996
91,000	91,000	11,915	(79,085)
-	-	-	-
91,000	91,000	11,915	(79,085)
-	-	(63,089)	(63,089)
3,089	3,089	63,089	60,000
\$ 3,089	\$ 3,089	\$ -	\$ (3,089)

**ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	SHERIFF'S PAYPHONE			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
Contributions from local units	-	-	-	-
Charges for services	18,000	18,000	16,821	(1,179)
Fines and forfeits	-	-	-	-
Interest	200	200	66	(134)
Donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	18,200	18,200	16,887	(1,313)
EXPENDITURES				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	18,200	18,200	15,481	(2,719)
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
TOTAL EXPENDITURES	18,200	18,200	15,481	(2,719)
REVENUES OVER (UNDER) EXPENDITURES	-	-	1,406	1,406
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	1,406	1,406
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	6,998	6,998	6,998	-
FUND BALANCES, END OF YEAR	\$ 6,998	\$ 6,998	\$ 8,404	\$ 1,406

VETERANS TRUST			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
400	400	1,633	1,233
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
400	400	1,633	1,233
-	-	-	-
-	-	-	-
-	-	-	-
400	400	1,631	1,231
-	-	-	-
400	400	1,631	1,231
-	-	2	2
-	-	-	-
-	-	-	-
-	-	-	-
-	-	2	2
377	377	377	-
\$ 377	\$ 377	\$ 379	\$ 2

REMONUMENTATION			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
83,390	83,390	36,030	(47,360)
-	-	-	-
-	-	-	-
129	129	46	(83)
-	-	-	-
-	-	-	-
83,519	83,519	36,076	(47,443)
-	-	-	-
83,519	83,519	36,329	(47,190)
-	-	-	-
-	-	-	-
-	-	-	-
83,519	83,519	36,329	(47,190)
-	-	(253)	(253)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(253)	(253)
18,497	18,497	18,497	-
\$ 18,497	\$ 18,497	\$ 18,244	\$ (253)

**ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	HOUSING COMMISSION REVOLVING			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	250,000	250,000	206,850	(43,150)
State grants	-	-	-	-
Contributions from local units	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest	-	-	-	-
Donations	-	-	-	-
Other	300	300	-	(300)
TOTAL REVENUES	250,300	250,300	206,850	(43,450)
EXPENDITURES				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	275,265	275,265	309,703	34,438
Recreation and cultural	-	-	-	-
TOTAL EXPENDITURES	275,265	275,265	309,703	34,438
REVENUES OVER (UNDER) EXPENDITURES	(24,965)	(24,965)	(102,853)	(77,888)
OTHER FINANCING SOURCES (USES)				
Transfers in	24,965	24,965	109,988	85,023
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	24,965	24,965	109,988	85,023
NET CHANGE IN FUND BALANCES	-	-	7,135	7,135
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	18,643	18,643	18,643	-
FUND BALANCES, END OF YEAR	\$ 18,643	\$ 18,643	\$ 25,778	\$ 7,135

COUNTY FAIR			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
11,000	11,000	10,274	(726)
-	-	-	-
35,000	35,000	29,081	(5,919)
-	-	-	-
200	200	65	(135)
200	200	8,966	8,766
18,600	18,600	26,996	8,396
65,000	65,000	75,382	10,382
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
65,000	65,000	77,811	12,811
65,000	65,000	77,811	12,811
-	-	(2,429)	(2,429)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(2,429)	(2,429)
2,561	2,561	2,561	-
\$ 2,561	\$ 2,561	\$ 132	\$ (2,429)

EMERGENCY 911			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
2,360	2,360	2,695	335
-	-	-	-
770,907	770,907	414,443	(356,464)
-	-	-	-
3,500	3,500	3,592	92
-	-	-	-
50	50	133	83
776,817	776,817	420,863	(355,954)
-	-	-	-
-	-	-	-
777,459	777,459	396,857	(380,602)
-	-	-	-
-	-	-	-
-	-	-	-
777,459	777,459	396,857	(380,602)
(642)	(642)	24,006	24,648
-	-	-	-
-	-	-	-
-	-	-	-
(642)	(642)	24,006	24,648
324,163	324,163	324,163	-
\$ 323,521	\$ 323,521	\$ 348,169	\$ 24,648

**ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	H.U.N.T			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
Contributions from local units	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest	-	-	-	-
Donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -

PUBLIC GUARDIAN					
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET		
\$	-	\$	-	\$	-
	-		-		-
	-		-	19,900	19,900
	-		-	-	-
	-		-	-	-
	-		-	-	-
	-		-	3	3
	-		-	-	-
	-		-	-	-
	-		-	19,903	19,903
	-		-	-	-
	-		-	-	-
	-		-	19,961	19,961
	-		-	-	-
	-		-	-	-
	-		-	-	-
	-		-	19,961	19,961
	-		-	(58)	(58)
	-		-	100	100
	-		-	-	-
	-		-	100	100
	-		-	42	42
	-		-	-	-
\$	-	\$	-	\$	42

**ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	HABORTOWN MARKET PLACE			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
Contributions from local units	-	-	-	-
Charges for services	30,000	30,000	33,350	3,350
Fines and forfeits	-	-	-	-
Interest	-	-	126	126
Donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	30,000	30,000	33,476	3,476
EXPENDITURES				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	30,000	30,000	30,552	552
TOTAL EXPENDITURES	30,000	30,000	30,552	552
REVENUES OVER (UNDER) EXPENDITURES	-	-	2,924	2,924
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	2,924	2,924
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	15,526	15,526	15,526	-
FUND BALANCES, END OF YEAR	\$ 15,526	\$ 15,526	\$ 18,450	\$ 2,924

REGISTER OF DEEDS AUTOMATION			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
29,000	29,000	28,790	(210)
-	-	-	-
300	300	196	(104)
-	-	-	-
-	-	-	-
29,300	29,300	28,986	(314)
-	-	-	-
20,000	20,000	24,651	4,651
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
20,000	20,000	24,651	4,651
9,300	9,300	4,335	(4,965)
-	-	-	-
-	-	-	-
-	-	-	-
9,300	9,300	4,335	(4,965)
25,800	25,800	25,800	-
\$ 35,100	\$ 35,100	\$ 30,135	\$ (4,965)

LOCAL CORRECTION OFFICER TRAINING			
ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	5,730	5,730
-	-	-	-
-	-	2	2
-	-	-	-
-	-	-	-
-	-	5,732	5,732
-	-	-	-
-	-	-	-
-	-	3,048	3,048
-	-	-	-
-	-	-	-
-	-	-	-
-	-	3,048	3,048
-	-	2,684	2,684
-	-	-	-
-	-	-	-
-	-	-	-
-	-	2,684	2,684
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ 2,684	\$ 2,684

ALCONA COUNTY, MICHIGAN
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	TOTAL			OVER
	ORIGINAL	AMENDED		(UNDER)
	BUDGET	BUDGET	ACTUAL	BUDGET
REVENUES				
Property taxes	\$ 285,400	\$ 285,400	\$ 289,725	\$ 4,325
Intergovernmental:				
Federal grants	355,078	355,078	294,818	(60,260)
State grants	296,226	296,226	389,935	93,709
Contributions from local units	500	2,000	2,665	665
Charges for services	1,165,657	1,165,657	841,684	(323,973)
Fines and forfeits	74,000	74,000	41,567	(32,433)
Interest	6,014	6,014	6,310	296
Donations	8,250	8,250	21,620	13,370
Other	30,250	30,250	38,754	8,504
TOTAL REVENUES	2,221,375	2,222,875	1,927,078	(295,797)
EXPENDITURES				
Judicial	134,794	134,794	111,144	(23,650)
General government	103,519	103,519	73,543	(29,976)
Public safety	1,039,485	1,039,485	666,630	(372,855)
Public works	-	-	3,585	3,585
Health and welfare	532,665	532,665	686,172	153,507
Recreation and cultural	486,310	488,610	502,554	13,944
TOTAL EXPENDITURES	2,296,773	2,299,073	2,043,628	(255,445)
REVENUES OVER (UNDER) EXPENDITURES	(75,398)	(76,198)	(116,550)	(40,352)
OTHER FINANCING SOURCES (USES)				
Transfers in	193,000	193,000	230,340	37,340
Transfers out	40,000	39,200	(51,078)	(90,278)
TOTAL OTHER FINANCING SOURCES (USES)	233,000	232,200	179,262	(52,938)
NET CHANGE IN FUND BALANCES	157,602	156,002	62,712	(93,290)
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	1,059,124	1,059,124	1,059,255	131
FUND BALANCES, END OF YEAR	\$ 1,216,726	\$ 1,215,126	\$ 1,121,967	\$ (93,159)

**ALCONA COUNTY, MICHIGAN
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2004**

	EQUIPMENT AND REPLACEMENT	GENERAL CAPITAL PROJECT	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 832	\$ 832
Investments	65,349	-	65,349
Due from other funds	16,694	-	16,694
<u>TOTAL ASSETS</u>	<u>\$ 82,043</u>	<u>\$ 832</u>	<u>\$ 82,875</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Due to other funds	\$ 82,043	\$ -	\$ 82,043
FUND EQUITY			
Fund balance			
Reserved for capital projects	-	832	832
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 82,043</u>	<u>\$ 832</u>	<u>\$ 82,875</u>

**ALCONA COUNTY, MICHIGAN
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	EQUIPMENT AND REPLACEMENT	GENERAL CAPITAL PROJECT	TOTAL
REVENUES			
Federal grants	\$ 15,000	\$ -	\$ 15,000
Interest	1,781	-	1,781
TOTAL REVENUES	16,781	-	16,781
EXPENDITURES			
Capital outlay	147,189	10,677	157,866
REVENUES (UNDER) EXPENDITURES	(130,408)	(10,677)	(141,085)
OTHER FINANCING SOURCES			
Proceeds from the sale of capital assets	31,767	-	31,767
Transfers in	96,694	11,000	107,694
TOTAL OTHER FINANCING SOURCES	128,461	11,000	139,461
NET CHANGE IN FUND BALANCES	(1,947)	323	(1,624)
FUND BALANCES, BEGINNING OF YEAR,	1,947	509	2,456
FUND BALANCES, END OF YEAR	\$ -	\$ 832	\$ 832

**ALCONA COUNTY, MICHIGAN
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2004**

	AGENCY FUNDS				
	TRUST AND AGENCY	TAX COLLECTION	LIBRARY FUND	TOTAL	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 786,828	\$ 123,272	\$ 42,107	\$	952,207
Investments	-	-	161		161
<u>TOTAL ASSETS</u>	<u>\$ 786,828</u>	<u>\$ 123,272</u>	<u>\$ 42,268</u>	<u>\$</u>	<u>952,368</u>
<u>LIABILITIES</u>					
Due to State	\$ 104,281	\$ -	\$ -	\$	104,281
Unallocated property taxes	632,903	-	-		632,903
Undistributed receipts	49,644	123,272	-		172,916
Undistributed penal fines	-	-	42,268		42,268
<u>TOTAL LIABILITIES</u>	<u>\$ 786,828</u>	<u>\$ 123,272</u>	<u>\$ 42,268</u>	<u>\$</u>	<u>952,368</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

April 14, 2005

Members of the Board of Commissioners
Alcona County, Michigan
Harrisville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate fund information of *Alcona County, Michigan*, as of and for the year ended December 31, 2004, and have issued our report thereon dated April 14, 2005. We did not audit the financial statements of the Alcona County Road Commission. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Alcona County Road Commission, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Alcona County's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of *Alcona County* in a separate letter dated April 14, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Alcona County's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Finance Committee, management, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Lohman". The signature is written in a cursive style with a large, looped initial 'L'.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

April 14, 2005

To the Board of Commissioners
Alcona County
Harrisville, Michigan

In planning and performing our audit of the financial statements of *Alcona County, Michigan*, for the year ended December 31, 2004, we considered the County's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. (A separate report dated April 14, 2005 contains our report on the County's compliance and internal controls). This letter does not affect our report dated April 14, 2005, on the financial statements of *Alcona County, Michigan*.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss these comments in further detail at your convenience, or perform any additional studies of these matters, or to assist you in implementing the recommendations.

Rehmann Robson

ALCONA COUNTY

MANAGEMENT COMMENTS AND RECOMMENDATIONS

DECEMBER 31, 2004

A. Reconciling of subsidiary balances (Repeat Comment)

The County has several departments that maintain subsidiary records of account balances that typically are reconciled with the Treasurer's department balances on a periodic basis. However, during our audit procedures we noted that this has not happened in a timely manner during 2004.

We recommend the Treasurer's balances of cash and receivable accounts be reconciled on a monthly basis with subsidiary records to ensure that the County's general ledger reflects accurate balances. We also recommend that either each department has a computer with read only access to the general ledger or a centralized computer with read only access be made available so that all departments can view their revenue/expenditure status at any given time. Reconciliations are required to ensure proper financial reporting for management decision making.

B. Contracts

During our audit procedures we noted that the County Treasurer is receiving additional compensation above his set wage for performing services related to the sale of property that has been foreclosed on because of delinquency in payment of property taxes as well as other services related to tax collection. The fee collected by the treasurer from the County is similar to that the State of Michigan would charge if they were to perform the service. However, the County Treasurer does not have a contract with the County stating that he is performing the services and the fee for which he will perform the services. We also noted that the Treasurer is not including an invoice along with the voucher with which he requests payment.

We recommend that the County Board of Commissioners and the County Treasurer enter into a contract on a yearly basis stating what services are to be performed and at what price they are to be performed at. We also recommend that the Treasurer prepare an invoice to be included with the payment voucher detailing what services were performed and the amount for which to be paid.

C. Employees receiving 1099's

We noted during our audit procedures that several employees are performing additional services that are not part of their routine daily activities for the County and are receiving 1099's instead of W-2's. IRS Publication 15 states;

ALCONA COUNTY

MANAGEMENT COMMENTS AND RECOMMENDATIONS

DECEMBER 31, 2004

"A worker who performs services for their employer is an employee if the employer has the right to control what will be done and how it will be done. This is so even if the employee has freedom of action. What matters is that the employer has the right to control the details of how the services are performed."

Since the County has the right to control the details of how the services are to be performed for these workers, these workers, by definition are employees. The IRS requires that the form W-2 be given to all employees and form 1099 be issued to persons or businesses that are not by definition employees.

We recommend that the County begin issuing W-2's to all employees and withhold the appropriate payroll deductions from these employees